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	NRC-00	NSAE-00	ISN-00	NSCE-00	OES-00	OMB-00	NIMA-00
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 FM AMCONSUL PERTH
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 INFO AMEMBASSY CANBERRA
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 ASEAN REGIONAL FORUM COLLECTIVE
 AMEMBASSY BEIJING
 AMEMBASSY TOKYO
 AMEMBASSY SEOUL
 AMEMBASSY JAKARTA
 DEPT OF ENERGY WASHINGTON DC
 DEPT OF COMMERCE WASHINGTON DC

UNCLAS PERTH 000042

STATE FOR EEB MONOSSON
 DOE FOR JEFF SKEER
 USDOC FOR 3132/USFCS/OIO/EAP/JRULAND
 USDOC FOR 4530/MAC/EAP/OPB/GPAINE

E.O. 12958: N/A
 TAGS: [ENRG](#) [EINV](#) [SENV](#) [AS](#)
 SUBJECT: GORGON LNG PARTNERS FINALIZE \$37- BILLION INVESTMENT

REF: A. PERTH 40
[1](#)B. PERTH 39
[1](#)C. PERTH 38

[1](#)1. Summary: The Gorgon Liquefied Natural Gas Project received the official go-ahead September 14 at a high-profile signing ceremony in Perth. Partners Chevron, ExxonMobil, and Shell announced their expected final investment decision for the estimated A\$43 billion (US\$37 billion) project. Federal Resource Minister Martin Ferguson awarded the project production licenses, and Western Australian (WA) State Premier Colin Barnett granted final development approval. Gorgon will be Australia's largest single resource project, and the largest single U.S. investment in Australia. The project, which is also subject to strict environmental conditions, is expected to have a significant impact on the Australian economy, boosting Australian GDP by A\$65 billion (US\$56 billion) over the 30-year life of the project. End Summary.

Project Formally Welcomed at High-Profile Ceremony

[1](#)2. At the high-profile signing -- attended by 200 key federal, state, business, and diplomatic Qd organized with strict secrecy invoked beforehand -- the Gorgon LNG Project received the final green light from the state and federal governments, and from partners Chevron (50 percent), ExxonMobil and Shell (25 percent each) who announced their final investment decisions and intentions to proceed with the project. The signing clears the way for preliminary work to begin later this year, and full construction in February 2010. Chevron, which is leading development of the project, estimated the cost of the first phase at A\$43 billion (US\$37 billion), slightly lower than previous public estimates (A\$50 billion; US\$43 billion). This includes a three-train, 15-million tons per year (mtpa) LNG facility on class-A nature reserve Barrow Island, pipelines to the Gorgon and Io-Jansz gas fields, injection of carbon dioxide into an underground aquifer, and a 300-terajoule/day domestic gas plant. Chevron Australia Managing Director Roy Krzywosinski, in a press interview following the ceremony, said the project had already signed A\$2 billion (US\$1.7 billion)

worth of contracts, and is "teed up and ready to go" on another A\$10 billion (US\$8.6 billion) more in the coming weeks.

Gorgon Massive Investment

¶3. Both federal and state officials acknowledged the historic significance of the Gorgon project investment. Federal Minister Martin Ferguson, in awarding production licenses for the Gorgon and Io-Jansz gas fields, observed that Gorgon will be "the largest energy project ever undertaken in Australia." He also noted the importance of the project to the Australian economy: "Clearly, the next economic stimulus package for Australia must come from the private sector, from projects like Gorgon," as Australia moves to clear its deficit. Premier Barnett, in signing off on the final development approval for the project, called Gorgon a "world project," with investment from the U.S. and Europe, and customers in Japan, China, India and South Korea. The project is expected to create over 10,000 jobs at peak construction, spend A\$33 billion (US\$28 billion) on local goods and services, and generate more than A\$40 billion (US\$34 billion) in revenue for the federal government. With Chevron and ExxonMobil contributing the bulk of the investment, the project represents the largest-ever single U.S. investment in Australia.

Environmental Conditions, Geosequestration

¶4. The formal signing also triggers the application of strict environmental conditions for the Gorgon project. These include 23 environmental plans to minimize damage to flora and fauna on Barrow Island, including flatback turtle conservation and coral protection. The signing also invokes state and federal responsibility for the project's proposed carbon dioxide geosequestration plan further down the line. The project proposes to reduce carbon emissions by 40 percent, or 3.4 million tons per year, through reinjection of carbon dioxide from the natural gas into a reservoir two kilometers below the island. Ferguson told the audience that the Gorgon project will be the world's largest carbon dioxide storage project to date, and that "the Commonwealth is glad to accept liability" to clear the way for the investment decision.

Comment: Challenges Ahead

¶5. The near-jubilant atmosphere at today's signing ceremony was only slightly tempered by reminders of the challenges posed by the size and complexity of the Gorgon project. Ferguson acknowledged that the project is "a huge responsibility which requires the world's best environmental planning and engineering." Facing the prospect of massive infrastructure spending, WA Premier Barnett wants the federal government to keep its pledge to transfer 25 percent of Gorgon royalties, which accrue to the federal government, back to the state to fund critical infrastructure development. Potential skilled labor shortages similar to those witnessed during the recent mining boom are likely to recur, affecting the development of competing LNG projects. Finally, competitors to the Gorgon partners are also aware that Gorgon will meet a large portion of Asia's anticipated new gas demand and complicate efforts to lock in customers of their own. For the time being, however, it may not be another "boom," but it's definitely big. End Comment.

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